

the art of innovation



ANNUAL REPORT 2002 - 2003



ECONOMIC DEVELOPMENT IMPACTS

ITC clients in FY 2002/2003 reported the following impacts:

Category	Impact of ITC Services
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Jobs Saved/Maintained	1,223
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Influence on client objectives: 93% of clients reported that ITC had a significant impact on their organization.

ITC's Goals.

ESSENTIAL TO FULFILLMENT OF ITS MISSION, ARE AS FOLLOWS:

- > To help our clients anticipate, identify and apply appropriate technologies
- > To support and contribute to economic development in Manitoba
- > To sustain and enhance client relationships by providing high-quality, valued technical services
- > To achieve long-term economic viability
- > To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

ITC's Mission

"As a team and in partnership with our customers, we are committed to provide creative, technical solutions for the economic development of Manitoba."



ITC's Vision

"To be recognized as the best resource for solving technical issues for the benefit of Manitoba."

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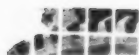
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June 30, 2003

His Honour
The Honourable Peter M. Liba, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the
Industrial Technology Centre for the year ended March 31, 2003.

Respectfully submitted,

Tim Sale
Minister

June 30, 2003

Honourable Tim Sale
Minister Responsible for the
Industrial Technology Centre
Room 314 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister Sale:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2003.

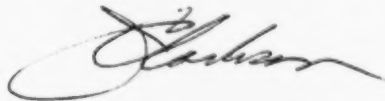
ITC has continued to provide services that support technology-based economic development in Manitoba. Services have been delivered in a cost-effective, timely manner, and have helped many companies maintain and improve their product quality. Bringing high-value, relevant services to clients has enabled them to become more competitive.

Since becoming a Special Operating Agency (SOA) in 1996, ITC has achieved successive operating surpluses, and made significant investments in new technologies to support Manitoba industry. For example, the Virtual Reality Centre provides industry and other stakeholders the ability to access leading edge visualization technology.

ITC is well positioned to work with a wide range of stakeholders to help with the implementation of Manitoba's "Framework for Innovation". ITC's background and reputation will be very beneficial in promoting and demonstrating the adoption of advanced manufacturing technologies.

I would like to thank all staff for their effort and commitment to ITC, and the Advisory Board for their continued work and support.

Respectfully submitted,



John Clarkson
Deputy Minister and Chairperson of the
Industrial Technology Centre Advisory Board

June 30, 2003



On behalf of staff, I am pleased to report that the Industrial Technology Centre (ITC) has completed another successful year as a Special Operating Agency (SOA).

ITC achieved a modest operating surplus, and increased the number of projects undertaken for a broader, larger client base. Surveys indicate that our clients continue to be very satisfied with the overall quality and value of the services we provide.

Our commitment to service excellence is demonstrated by ongoing accreditation by the Standards Council of Canada (SCC) and the Calibration Laboratory Assessment Service (CLAS), as well as ISO 9001 registration. ITC is regularly audited for these programs, and continues to receive "high marks".

ITC has shown the use and value of advanced visualization technology in its Virtual Reality Centre (VRC) by undertaking pilot projects, educational events and tours. ITC will continue to provide services that support the development and use of advanced manufacturing technologies in Manitoba.

Our success is due to the hard work and dedication of all staff, loyalty from our clients, and continued support from our Advisory Board.

Thank you all for your commitment!

A handwritten signature in cursive script that reads "T. J. Cornell".

Trevor Cornell
Chief Operating Officer



the power of innovation

1. AGENCY PROFILE

1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) of the Province of Manitoba on April 1, 1996. ITC now operates under the authority of Energy, Science and Technology (ES&T).

The Deputy Minister of ES&T chairs ITC's Advisory Board, which includes private sector representatives. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices and financial reporting requirements.

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies.

ITC'S SERVICES ARE CATEGORIZED AS:

Technical Information and Advisory Services
Engineering
Document Examination Services (DES)

Industrial Research
Assistance Program (IRAP)
Virtual Reality Centre (VRC)

1.2 Service Lines

Technical Information and Advisory Services

ITC services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with ES&T to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations.

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance which may not be available in Manitoba.

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. A range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

An "Excellence in Manufacturing" Information Centre has been developed. This provides an enhanced library collection in current and new manufacturing technologies and philosophies, such as Lean Production, Virtual Reality, Rapid Prototyping, and Advanced Manufacturing Techniques.

Customers include inventors, entrepreneurs, and companies in most manufacturing sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and the Virtual Reality Centre. These services support SMEs (small and medium-sized enterprises) that have limited R&D resources.

Engineering

MECHANICAL TESTING

Mechanical Testing services are categorized as either Standard or Custom, defined as:

Standard Testing: Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

Custom Testing: Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements.

Examples include:

- > Testing products or materials when no industry standard exists
- > Testing components in their service environment

DIMENSIONAL CALIBRATION

ITC is the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, and dial gauges, as well as pressure gauges up to 10,000 psi.

DIMENSIONAL INSPECTION

ITC's inspection capabilities include a Numerex coordinate measurement machine (CMM) and the FaroArm portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

MACHINE/PRODUCT DESIGN

ITC's computer technology (SGI 320 hardware, and advanced modelling and analytical software)

allows us to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis, and modelling of parts to predict their performance. Prototypes are manufactured at ITC, or if required, in cooperation with local machine shops.

CUSTOM DATA ACQUISITION

ITC provides solutions to automate data collection and control processes using National Instruments hardware and LabView software.

NOISE MEASUREMENT AND CONTROL

ITC can identify and analyze excessive noise problems in the workplace, and develop noise control solutions. We can also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

VIBRATION MEASUREMENT AND CONTROL

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

CUSTOM ENGINEERING

ITC assembles teams to troubleshoot processes and equipment, carry out complex engineering projects, design and fabricate custom testing equipment, or develop other innovative technical solutions.

The market for Engineering services is primarily manufacturing companies in Manitoba. SCC and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.

Document Examination Services (DES)

Document Examination Services provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada, the U.S. and overseas. ITC is the sole commercial Canadian laboratory providing these services.

engineering of innovation

Industrial Research Assistance Program (IRAP)

ITC participated in the National Research Council's (NRC's) Industrial Research Assistance Program (IRAP) via a contribution agreement. The IRAP relationship has been in place for 21 years, and together, ITC and IRAP have provided technical information and transferred appropriate technologies to Manitoba industry.

IRAP is founded on a national network of about 250 Industrial Technology Advisors (ITAs) who provide technical advice and assistance. The NRC has changed the delivery system for IRAP, effective April 2003, and the program will no longer be delivered by ITC staff. ITC will continue to collaborate with the NRC on manufacturing initiatives.

IRAP services are provided to SMEs throughout Manitoba.

Virtual Reality Centre (VRC)

The Virtual Reality Centre is a state-of-the-art facility that uses virtual modelling technology to facilitate improved:

- > Product design and development, process re-engineering, urban planning, and architectural design
- > Product marketing
- > Development of software for specific engineering applications

The VRC is the only one of its kind in Canada that has been established to address industry needs on a fee for service basis. The Centre is designed to provide access to technologies that will enable companies to attain a competitive advantage in global markets.

The capabilities of the VRC may be used to undertake collaborative projects with other research organizations such as TRILabs (Winnipeg) and the NRC's Integrated Manufacturing Technologies Institute (IMTI) in London, Ontario.

Partnerships with educational institutions, such as the University of Manitoba and Red River College, will enable both researchers and students to gain expertise in advanced product development techniques and visualization technologies.

1.3 Human Resources

ITC's corporate culture is based on innovation and service excellence. Staff have agreed upon a set of values, including:

- > Recognizing people as our most important asset
- > Expecting honesty, integrity and confidentiality
- > Supporting professional growth
- > Encouraging innovation
- > Open communication
- > Respect and kindness

Initiative is both encouraged and expected
- all staff are key to ITC's success.

2. PERFORMANCE REVIEW

2.1 Background

ES&T supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

Economic Development

Financial
Customer

Internal Business Processes

Learning and Growth

PERFORMANCE AREAS AND GOALS

- > To support and contribute to economic development in Manitoba
- > To achieve long-term economic viability
- > To sustain and enhance client relationships by providing high-quality, valued technical services
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2.2 Results

ECONOMIC DEVELOPMENT

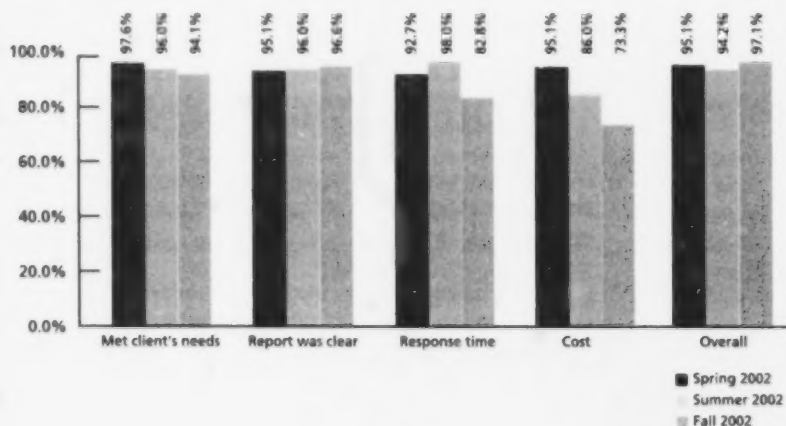
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Investment Increases	\$3.5 million

Influence on client objectives: 93% of clients reported that ITC had a significant impact on their organization.

These results are compiled from the responses of 68 individuals representing a sample of ITC clients (56 clients). No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 250 clients).

Client satisfaction, captured from surveys conducted during the year, is presented as follows:



FINANCIAL

ITC has now completed its seventh year of operation as an SOA, and has achieved a surplus. The current fiscal year has presented challenges with the transition of the NRC/IRAP program, and reduction in Document Examination Service revenues. ITC has met these challenges with efforts focused on expanding client reach, and reducing expenditures.

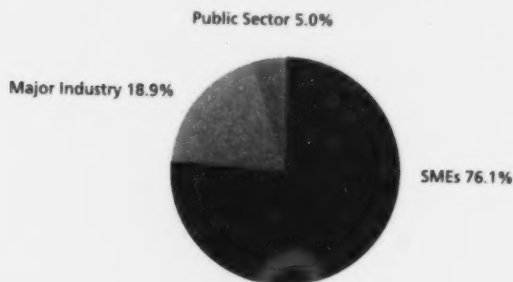
CUSTOMER

ITC has implemented a system for capturing specific client satisfaction and other information. During Fall 2002, 35 clients were contacted with the following results:

- > 94.1% were satisfied with project deliverables.
- > 96.6% responded that results were presented clearly.
- > 82.8% were satisfied with the response time.
- > 79.3% were satisfied with the cost of the service.

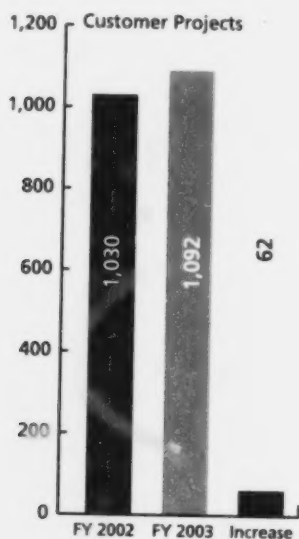
These results demonstrate that ITC continues to provide excellent customer service. Overall, 97.1% of clients reported that they were satisfied with the service, and would use ITC again.

ITC's customer base consists of the following:



SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

ITC undertook 62 more customer projects than in the prior year.



INTERNAL BUSINESS PROCESSES

ITC continues to maintain ISO 9001 registration, with the following quality policy:

"The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

- > Virtual Reality technology has been adopted and applied at ITC.
- > With the assistance of Western Economic Diversification, ITC implemented hardware and software upgrades for the VRC, which provide for large-scale immersive environments. This will enhance the VRC's application in urban planning and large infrastructure development projects.
- > ITC maintains Standards Council of Canada (SCC) accreditation in the materials testing laboratory, Calibration Laboratory Assessment Service (CLAS) accreditation for the calibration laboratory, and ISO 9001 registration for the entire organization.
- > ITC's quality system is under review in readiness for ISO 9001:2000 standards.
- > Capital acquisition plans are reviewed to ensure that purchases provide the greatest value to ITC and its clients.
- > Administrative processes and information systems are being evaluated on an ongoing basis to identify efficiencies.

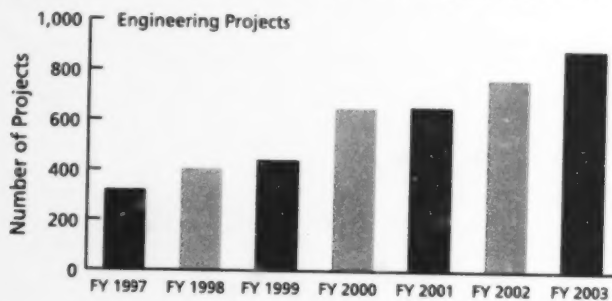
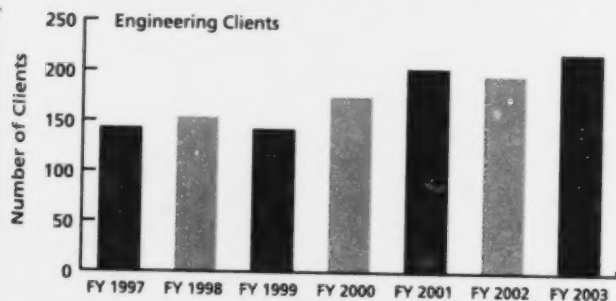
LEARNING AND GROWTH

ITC's Work Environment Committee has conducted staff surveys that report a positive work environment with good communication and high morale.

ITC has implemented a new employee recognition program that acknowledges "Team Spirit" in working together to meet client needs.

ITC continues to encourage and support staff training and development congruent with corporate and personal goals. In order to match and develop employee skills to meet specific service needs, ITC has implemented a training plan as part of its ISO 9001 Quality System.

The client reach for Engineering services has increased steadily since inception as an SOA, as indicated by the following charts:



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Internal
Business
Processes
Learning and
Growth

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Results

ECONOMIC DEVELOPMENT

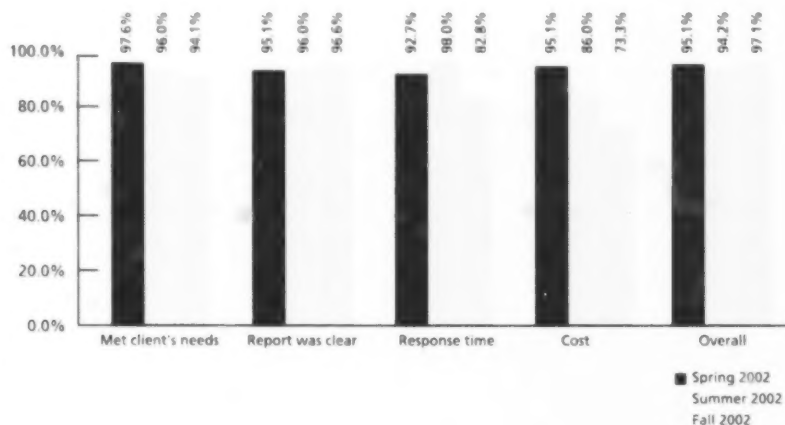
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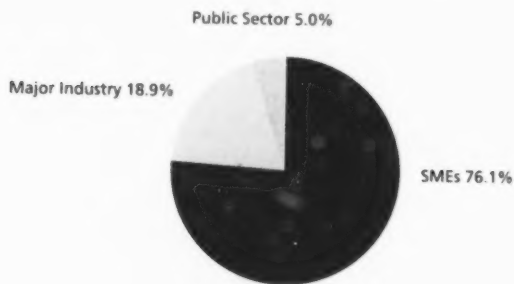
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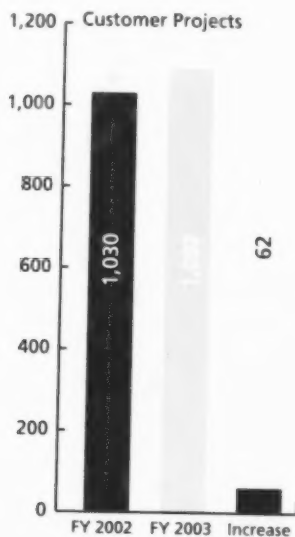
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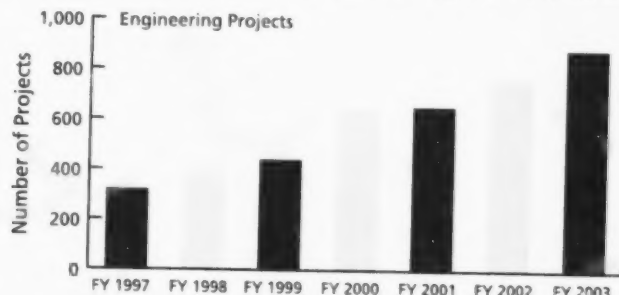
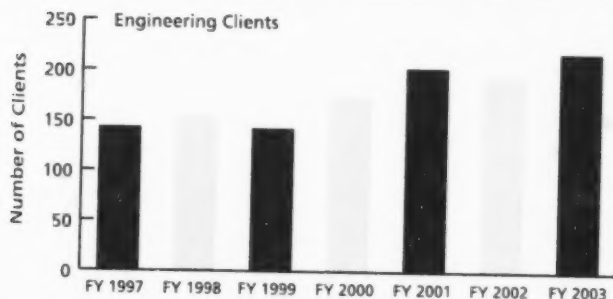
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Project Highlights

A sample of the impact that ITC has made in the following sectors during FY 2002/2003:

AEROSPACE

- > Conducted vibration analysis of an engine condition monitor used on a turbo-prop airplane. This analysis enabled a reduction in vibration, which was impairing the operation of the monitor.
- > Conducted testing of the effects of vibration on a fuel flow computer used in a turbo-prop airplane.
- > Identified cracks in the fuselage of a small jet plane by utilizing microscopic analysis.
- > Worked with the aerospace sector to assess their requirements for the application of composites and plastics technology, to explore the potential establishment of a "Composite Technology Centre of Excellence".
- > Measured strain and load on a rocket blast deflector for an aerospace company.

AGRIBUSINESS

- > Installed equipment to measure strain on a steering mechanism for a farm equipment manufacturer.
- > Made significant efforts in helping a Manitoba company develop a straw burning furnace, and assisting them to control emissions.

- > Environmentally conditioned and load tested various building membranes and adhesives on a selection of substrates as part of a study of building membranes.
- > Undertook Canadian Welding Bureau tests for weld and procedure qualifications for bridge fabrication.

ENVIRONMENT AND RESOURCES

- > Evaluated the design of a 9,000 lb. fan used in mining, to enable modifications that reduce vibration.
- > New software for large-scale immersive environments has been implemented in the VRC.
- > Supported a Manitoba company in the development of solar powered highway construction signage.
- > Completed a project to improve processes for a company that washes and recycles industrial air filters.
- > Collaborated in the development of integrated photo voltaics for a Manitoba company.

HEALTH AND PUBLIC SECTOR

- > Performed tension testing of a military tank turret to evaluate material strength.
- > Prepared a feasibility study to upgrade, coordinate and automate multiple test machines for a provincial soil laboratory.
- > ITC has been actively pursuing collaboration with other VR centres and research organizations such as the NRC's IMTI (London) and TRILabs (Winnipeg).

"We had to install transducers outside on one of the coldest days of the winter! Dr. Jeongsoo Park was fun to work with under the worst of conditions. He got us good results promptly."

Jeff Tallin
UMA Engineering

BUILDING AND ARCHITECTURE

- > Measured the deflection of a parkade floor to ensure conformity to building specifications.
- > Performed vibration analysis of ventilation fans used in buildings, to evaluate alternative designs.
- > An insurance company required ground vibration measurements to assess potential damage to sensitive computing equipment.
- > Reviewed manufacturing opportunities for unique compounds to repair/treat concrete.
- > Provided assistance to a manufacturer on the design of a concrete buggy, which is attached to a skid steer loader used for transporting concrete at small construction sites.
- > Monitoring of buildings during construction on adjacent properties to measure for signs of excessive vibration.
- > Performed coefficient of friction tests on various flooring surfaces.

- > Discussions are underway with the University of Manitoba, Faculty of Engineering, to provide students enrolled in the Virtual Reality course with access to the VRC facility, to prepare their term projects.
- > Assisted a client in the development of technology for their "Electro Coagulation Treatment of Waste Water" project (in conjunction with CARDSI at Red River College).
- > Worked with a company to review development and manufacturing options for a new medical device to help with tablet crushing.

MANUFACTURING

- > Enhanced the Library collection with a focus on advanced manufacturing.
- > Tested the strength of cement bags produced by a Manitoba company.
- > Conducted strength test of welded cylinders for a local manufacturer.

- > Assisted a manufacturer of bolts in the software upgrade of their testing equipment. The upgrade will enable the client to automate the process of conducting tests and collecting data.
- > Conducted a workshop to increase awareness of composites technology in Manitoba.
- > Inspected new and failed gearboxes, to identify problems in the manufacturing and assembly process.
- > Conducted bulk weld qualification tests of hydraulic cylinder rods.
- > Performed ultimate load testing of welded cylinder shafts for a manufacturer of industrial equipment.
- > Designed a fixture to test hydraulic cylinders manufactured by a Manitoba company.
- > Conducted custom tests of component hardware for a large window manufacturer.
- > Used the VRC to enable a small Manitoba manufacturer to review its design of a product dispensing system.
- > Performed numerous custom tests for a bus manufacturer to evaluate alternative suppliers of components.
- > ITC hosted a "Manufacturing Simulation" workshop in November 2002, which included a demonstration of visualization technology as it applies to advanced manufacturing.
- > Assisted several Manitoba manufacturers in the adoption of "Lean" processes.
- > Measured surface roughness of shims that support a motor.
- > Helped a local manufacturer conduct preliminary airflow testing on prototype high-volume ventilation fans.
- > Tested the flammability of a plastic material.
- > Introduced the "Advanced Manufacturing News", a technical newsletter that has been distributed biweekly to almost 700 individuals in business, government, and economic development organizations in Manitoba.
- > Produced the "Technology Watch" report, which provides detailed technical information for manufacturers.

P R I N T I N G

- > Performed dimensional inspection of a perforated cylinder used in a printing process, as part of the client's annual maintenance program.
- > Evaluated and made suggested improvements to the design of equipment used by a manufacturer of business forms.
- > Performed humidity and acid tests on decals to determine compliance with printing specifications.

T R A N S P O R T A T I O N

- > Tested the strength of tow hooks for a bus manufacturer to ensure conformity to Society of Automotive Engineers (SAE) specifications.
- > Tested reclaimed materials used by a railway company, to confirm that items met specifications.
- > Tested windshields for a bus manufacturer, to ensure compliance with industry standards.

- > Used the FaroArm to evaluate alternative suppliers of bus brake shoes.
- > Tested the strength of luggage racks for a bus manufacturer.
- > Conducted high-frequency pressure measurements of a hydraulic system to enable improvements in the design of a bus steering mechanism.
- > An ITC ITA participated in the study to establish a "Vehicle Technology Centre".
- > Performed Finite Element Analysis (FEA) to enable a company to make design improvements to a tire lifting system.
- > ITC fabricated a custom test machine that enabled durability testing of drive belts for a bus manufacturer. Extended testing (hundreds of hours) enabled the manufacturer to evaluate different belts for suitability.
- > Conducted lap shear tests on fabrics with various adhesives and backing materials, to evaluate their use in bus seats.
- > Visited a transportation company to verify if their gauges were calibrated within tolerance. The gauges are used for inspection of the brake systems used in trains.
- > A transportation company used ITC's services to determine the cause of brake drum failure.
- > To reduce manufacturing costs of windows, a bus manufacturer approached ITC to perform finite element analysis on window gussets.
- > Designed and fabricated a shroud system to block sunlight from interfering with a laser measurement device on a rail test car.
- > Tested vehicle lifting devices and jack stands.
- > Performed vehicle window push out tests in accordance with motor vehicle safety standards.
- > Measured noise levels of a prototype vehicle according to motor vehicle industry standards.

U T I L I T I E S

- > Secured a two-year contract for continued vibration monitoring of a ground wire for Manitoba Hydro. This project will detect vibration levels that may cause damage to overhead ground wires.
- > Development of a custom, working prototype to monitor the vibration of conductor lines for Manitoba Hydro.

W O O D P R O D U C T S

- > Analyzed the materials used in the manufacture of furniture, to maintain compliance with industry standards.
- > A furniture manufacturer requested cycle testing of drawer slides from a variety of suppliers.
- > Performed ultimate load testing of a retaining wall on a bunk bed for a furniture manufacturer.
- > Performed ultimate load tests on door hinge assemblies.

3. FINANCIAL RESULTS

HIGHLIGHTS (\$000s)

	2002/2003	2001/2002	Variance
Revenue			
Province of Manitoba	750	750	-
Fee for service	1,780	2,009	(229)
Other	18	36	(18)
Expense			
Salaries and benefits	1,712	1,876	(164)
Other expenses	831	879	(48)
Net income	5	40	(35)

The decrease in fee for service revenue can be attributed primarily to IRAP and Document Examination Services. The reduction in IRAP revenues resulted from the NRC's change in delivery of its IRAP program. The decrease in Document Examination Services is due to the non-renewal of one major contract with a U.S. client.

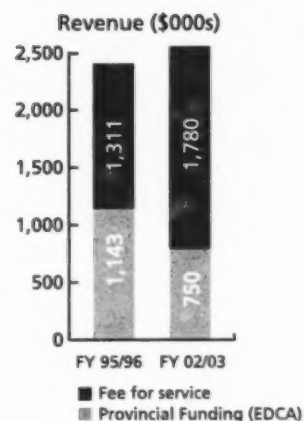
The results given in this annual report for FY 2002/2003 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities. With the continued support of all stakeholders, ITC will meet the challenges resulting from an ever-changing business environment.

"I just want to thank you for an informative interesting newsletter; in every issue I find items that help me to perform my job better. Well done!"

Othmar Furer
Operations Manager
Westeel Ltd.

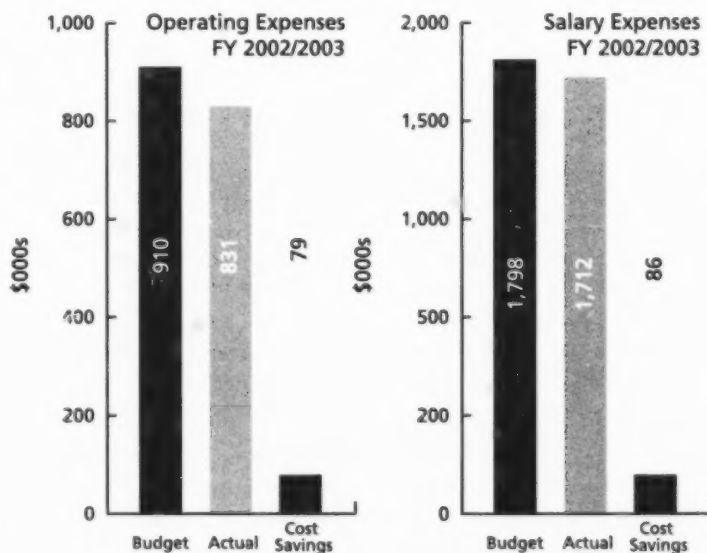
In its seven years of operation as an SOA, ITC has:

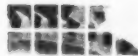
- > Achieved a 34% reduction in Provincial Funding
- > Achieved a 36% increase in Fee for Service Revenue



"Thank you very much for your help with materials standards."

Alan Phillipson, M.Sc.
Materials Science &
Technology Consulting





MANAGEMENT REPORT

May 23, 2003

For the year ended March 31, 2003

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 23, 2003.

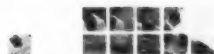
Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with generally accepted Canadian accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services



AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **Industrial Technology Centre** as at March 31, 2003 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and other significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Winnipeg, Manitoba
May 23, 2003

An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Balance Sheet
As at March 31, 2003
(in thousands)

	2003	2002
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3)	\$ 762	\$ 558
Accounts receivable	126	397
Prepaid expenses	25	26
	<u>913</u>	<u>981</u>
Due from Province of Manitoba (Note 5)	103	103
Capital assets (Notes 2 and 4)	672	848
	<u>\$ 1,688</u>	<u>\$ 1,932</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 259	\$ 519
Severance liability (Note 5)	160	149
	<u>419</u>	<u>668</u>
Equity		
Contributed Equity (Note 6)	62	62
Retained Earnings	1,207	1,202
	<u>1,269</u>	<u>1,264</u>
	<u>\$ 1,688</u>	<u>\$ 1,932</u>

The accompanying notes are an integral part of these financial statements.



An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Statement of Earnings and Retained Earnings
For the year ended March 31, 2003
(in thousands)

	2003	2002
Revenue		
Province of Manitoba	\$ 750	\$ 750
Fee for service	1,780	2,009
Other	18	36
	<u>2,548</u>	<u>2,795</u>
Operating expenses		
Advertising and promotion	33	129
Amortization	188	120
Audit and legal	5	10
Bad debts	1	3
Building maintenance	54	44
Computer	7	27
Equipment	24	48
Fees and memberships	26	20
Heat and utilities	36	33
Insurance	50	46
Library operations	32	36
Loss on disposal	5	6
Office	62	63
Professional development	23	73
Project supplies and subcontract	99	63
Purchased services	26	9
Rent and property tax	114	87
Salaries and benefits	1,712	1,876
Travel	46	62
	<u>2,543</u>	<u>2,755</u>
Net earnings (loss)	5	40
Retained earnings at beginning of period	<u>1,202</u>	<u>1,162</u>
Retained earnings at end of period	<u>\$ 1,207</u>	<u>\$ 1,202</u>

The accompanying notes are an integral part of these financial statements.



An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Statement of Cash Flow
For the year ended March 31, 2003
(in thousands)

	2003	2002
Cash derived from (applied to):		
Operating activities		
Net earnings (loss)	\$ 5	\$ 40
Items not involving cash		
Amortization	188	120
Loss on disposal	5	6
	<u>198</u>	<u>166</u>
Changes in non-cash working capital balances		
Accounts receivable	271	666
Prepaid expenses	1	(6)
Accounts payable and accrued liabilities	(260)	(533)
Severance liability	11	11
	<u>221</u>	<u>304</u>
Investing activities		
Acquisition of capital assets	<u>(17)</u>	<u>(615)</u>
Net increase (decrease) in cash and cash equivalents	204	(311)
Cash and cash equivalents at beginning of period	<u>558</u>	<u>869</u>
Cash and cash equivalents at end of period	<u>\$ 762</u>	<u>\$ 558</u>
Represented by:		
Cash and bank	\$ 52	\$ 34
Funds on deposit with the Minister of Finance	710	524
	<u>\$ 762</u>	<u>\$ 558</u>
Interest revenue included in cash flow from operating activities	<u>\$ 14</u>	<u>\$ 26</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003 (in thousands)

1. NATURE OF ORGANIZATION

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Energy, Science and Technology under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Energy, Science and Technology assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Energy, Science and Technology defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. SIGNIFICANT ACCOUNTING POLICIES

> Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

> Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

> Furniture and fixtures	20%, declining balance
> Office and laboratory equipment	20%, declining balance
> Computer equipment and software	20%, straight-line
> Leasehold improvements	20%, straight-line

3. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital advances up to a maximum of \$300. As at March 31, 2003 working capital advances were nil (2002 - nil). The line bears interest at the prime rate and is not secured by specific assets.

4. CAPITAL ASSETS

	2003		2002	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	\$ 4	\$ 2	\$ 4	\$ 2
Office and laboratory equipment	764	365	768	268
Computer equipment and software	416	184	451	135
Leasehold improvements	49	10	32	2
	\$ 1,233	\$ 561	\$ 1,255	\$ 407
Net book value	\$ 672		\$ 848	

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003 (in thousands)

5. SEVERANCE PAY BENEFITS

Effective April 1, 1998, ITC began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at \$103 was completely offset by a receivable from the Province. The receivable from the Province, or portion thereof, for the Industrial Technology Centre, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Industrial Technology Centre.

An actuarial valuation report of ITC's severance as at March 31, 2000 has been completed. The report provides a formula to update the liability on an annual basis. ITC's liability has been calculated in accordance with this formula.

6. CONTRIBUTED EQUITY

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of \$124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of \$62 (50% of the value of the net assets) and recorded the remaining \$62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

7. COMMITMENT

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba. The lease, expiring on March 31, 2005, requires future lease payments as follows:

2004	\$ 91
2005	\$ 91

This lease agreement may be terminated on March 31, 2004, at ITC's option.

8. RELATED PARTY TRANSACTIONS

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

9. PUBLIC SECTOR COMPENSATION

Pursuant to The Public Sector Compensation Disclosure Act, employees of ITC who have received compensation of \$50 or more, including benefits and severance payments, in the year ended March 31, 2003 are disclosed in the Special Operating Agency Financing Authority (SOAFA) annual report. This compensation information is also available in ITC's Library.

ITC participated in an interlaboratory comparison among Canada's CLAS certified dimensional calibration labs. ITC was the only participant whose results all agreed with the NRC's reference lab within stated measurement uncertainties.

Budget Analysis (Appendix 1)

OPERATING RESULTS (\$000S)

	2002/2003 Actual	2002/2003 Budget	Variance
Revenue			
Province of Manitoba	\$ 750	\$ 750	\$ -
Fee for service	1,780	1,953	(173)
Other	18	5	13
Expense			
Salaries and benefits	1,712	1,798	(86)
Other expenses	831	910	(79)
Net income	\$ 5	\$ -	\$ 5

Fee for service contracts were lower than budget, primarily due to Document Examination, Engineering, and the Virtual Reality Centre. The variance in DES is due to one client that chose not to conduct any testing. The variance in Engineering revenue is primarily due to noise and vibration, and large custom projects. The adoption of visualization technology has been slow and efforts are directed towards its advancement.

Other revenue exceeded budget, primarily due to interest income and revenue from administrative services.

Salaries and benefits were lower than budget, primarily due to one vacant IRAP position (which was filled in July 2002), staff adjustments in Engineering, and savings from the "Voluntary Reduced Work Week" program.

The Virtual Reality Centre (VRC) was awarded a Smart Winnipeg award, in the technology category, in appreciation for outstanding contribution to the adoption of innovative technologies.

"Wow, lots of great links and ideas for innovation! This newsletter could potentially shave tons of time and expense from researching topics and journals."

Jonathan Leech
Standard Aero

EXPENSES (\$000s)

	2002/2003 Actual	2002/2003 Budget	Variance
Advertising and promotion	\$ 33	\$ 70	\$ (37)
Amortization	188	181	7
Audit and legal	5	10	(5)
Bad debts	1	15	(14)
Building maintenance	54	45	9
Computer	7	25	(18)
Equipment	24	40	(16)
Fees and memberships	26	25	1
Heat and utilities	36	37	(1)
Insurance	50	48	2
Library operations	32	39	(7)
Loss on disposal	5	-	5
Office	62	59	3
Professional development	23	62	(39)
Project supplies and subcontract	99	79	20
Purchased services	26	10	16
Rent and property tax	114	112	2
Travel	46	53	(7)
Total	\$ 831	\$ 910	\$ (79)

In response to challenges posed by reductions in contract revenue due to a change in the delivery system for the IRAP program, a reduction in DES revenue, and the slow adoption of visualization technology, management has made efforts to control costs. These efforts have resulted in a surplus for the current year. Management will continue to closely evaluate and control costs on an ongoing basis, and undertake business development initiatives to expand client reach.



"Thanks for helping us
with this information:
It was well appreciated
by our patron."

Portage la Prairie Library

Staff as at March 31, 2003 (Appendix 2)

- > Joe Cattani, B.Sc.
- > Diane Chicheluk
- > Trevor Cornell, B.Sc. (Hons., M.E.), C.Eng., P.Eng.
- > Betty Dearth, B.A., M.I.L.S.
- > Pete de Graaf, B.Sc. (M.E.), P.Eng.
- > Britta Doumbia-Haug, M.Sc., M.C.I.C.
- > Sandra Fotty, B.A.
- > Danny Fredette, Journeyman Machinist
- > Daniel Godin, Dip. Mech. Eng. Tech., C.E.T.
- > Sandra Graff
- > Wolfgang Herwig, B.Sc. (M.E.), P.Eng.
- > Dale Kellington, B.Sc.
- > Brad Kempf
- > Dragomir Kojic, C.E.T.
- > Shawna Levesque, Clerical Bookkeeping Certificate
- > Stephen McKendry-Smith, Dip. Biological Tech.
- > Tim Mitchell, B.Sc. (M.E.), P.Eng.
- > David Olafson, B.Sc., B. Comm. (Hons.), C.G.A., C.C.P.
- > Jeongsoo Park, B.Sc., M.Sc., Ph.D. (M.E.), P.Eng.
- > Tim Peters
- > Gord Pizey, B.Sc. (M.E.), M.Sc, P.Eng.
- > Jim Prendergast, B.A.Sc., M.A.Sc., P.Eng.
- > Sharon Ratuszniak
- > Tony Robak, Millwright, C.Tech.
- > David St. Jean, Management Studies Certificate
- > Myron Semegen, C.E.T.
- > Nigel Wooler, M.C.P.

"ITC has consistently provided us with clear,
thorough, and accurate data, enabling us to make
informed, educated, and intelligent decisions."

Advisory Board (Appendix 3)

John Clarkson
(Chairperson)
Deputy Minister
Energy, Science and Technology
Room 343 Legislative Building
Winnipeg, Manitoba R3C 0V8

Ken Carr
Executive Director
Manitoba Aerospace Association Inc.
51 Woodgreen Place
Winnipeg, Manitoba R3J 1H4

Richard Krohn
Merchandising & Operation Manager
(EQ3)
Palliser Furniture Limited
70 Lexington Park
Winnipeg, Manitoba R2G 4H8

Al MacAtavish
Manitoba Hydro (retired)
P.O. Box 127J, RR5
Winnipeg, Manitoba R2C 2Z2

Paul Soubry
Past Chair, Board of Governors,
University of Manitoba;
Past Chair, Victoria Hospital; and
President, Soubry Enterprises Ltd.
63 Ridgedale Crescent
Winnipeg, Manitoba R3R 0B2

Ed Van Humbeck
Chairman of the Board
Vansco Electronics Ltd.
1305 Clarence Avenue
Winnipeg, Manitoba R3T 1T4

Trevor Cornell
Chief Operating Officer
Industrial Technology Centre
Unit 12-1329 Niakwa Road East
Winnipeg, Manitoba R2J 3T4

Stephen McKendry-Smith
Staff Representative
Industrial Technology Centre
Unit 12-1329 Niakwa Road East
Winnipeg, Manitoba R2J 3T4



INDUSTRIAL TECHNOLOGY CENTRE



Industrial
Technology
Centre

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